

## **Certification of the Housing Benefits Subsidy Claim 2019/20**

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

Until 2017/18, the duty to make arrangements for the certification of the Council's housing benefits subsidy claim and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

From the 2018/19 year, the Council has been required to make its own arrangements for future certification work, requiring a tri-partite agreement between the Council, the Department for Work & Pensions (DWP) and an approved reporting accountant. The Council has engaged Ernst & Young LLP (E&Y) to undertake this work for the years ending 31 March 2019 to 31 March 2023.

The reporting accountant is required to follow a methodology of specific test requirements on a defined sample basis determined by the DWP and does not undertake an audit of the claim. Because of Covid, the submission deadline was extended nationally to 31 January 2021. A further short extension to the deadline was granted to the Council by the DWP to enable E&Y to complete their certification work and submit their report to the Council.

The following key points have been taken from their report in order to brief Members:-

Scope of work	Results
Value of claim presented for certification	£38,127,848
Amended / Not Amended	Not Amended
Qualification Letter	Yes
Fee – 2019-20	£10,379 plus additional fees of £14450 for CAKE and 40+ testing required)
Fee – 2018-19	£10,379 plus additional fees of £9500 for 40+ and extended testing required)

Local government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work & Pensions (DWP) towards the cost of benefits paid.

A standard methodology is followed for testing each benefit type, typically an initial sample of 20 cases. The certification guidance requires auditors to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ or extended testing may also be carried out as a result of errors that have been identified in the review of previous years' claims.

In addition, there is a requirement for testing arising from Cumulative Knowledge and Experience (CAKE). This involves testing samples in cells where errors were identified in the testing of the claim for the previous year.

Ernst & Young's initial sampling identified the following:-

Error(s)	Results
Rent Allowance - One case was identified where an overpayments arising from an error by the Authority had been classified as eligible rather than LA error	An additional sample of 40 cases was tested and one further small error was found

**As a result of the above errors identified the appropriate cell was adjusted by an extrapolated overstated amount of £9,041**

E&Y's CAKE testing identified the following:-

Error(s)	Results
Miscalculation of Earnings – Five cases were identified with small errors resulting in over or underpayment	The errors were extrapolated across the relevant cell population

**As a result, an extrapolated overstatement figure of £17,668 was adjusted in the appropriate cell**

Rent Allowances – Child Care Costs – Four cases were identified with small errors or queries resulting in over or underpayment

**As a result, an extrapolated overstatement figure of £3,738 was adjusted in the appropriate cell**

### Conclusion

Although the testing has identified a small number of errors resulting in a qualification letter and a small final adjustment to the claim submitted to the DWP, the values involved are extremely small in relation to the total amounts handled by the Council and Benefits staff should be commended for the results.